



**U. S. Environmental Protection Agency
OFFICE OF INSPECTOR GENERAL
Nikki L. Tinsley, Inspector General**

Quarterly Report

Second Quarter - Fiscal Year 2002

January 1 - March 31,

2002

Audit/Evaluation Activities

Status of Land Application of Biosolids Program Examined (Report 2002-S-00004)

The OIG conducted a review of the land application of biosolids (treated sewage sludge), which is applied to agricultural, horticultural, forest, and reclamation land. Although there has been controversy about potentially adverse impacts of biosolids on human health and the environment, EPA has taken the position that land application of biosolids presents a low risk, and that the biosolids program is low priority.

We prepared a status report on land application of biosolids. The specific issues examined, and the status of each, are summarized below.

! Some State officials expressed concerns that EPA is not dedicating sufficient staffing and financial resources to the program. EPA staff assigned to the biosolids program have been declining, but EPA's position is that the resources allocated to biosolids are appropriate when balanced against competing priorities.

! The Clean Water Act gives EPA authority to delegate the biosolids program to States, but little progress has been made thus far. Only five States have received formal delegation from EPA for the biosolids program.

! The National Whistleblower Center contended that EPA failed to investigate

21 complaints. However, EPA and/or State officials investigated 14 of the complaints and indicated that five complaints were not reported to them. The OIG determined that the remaining two did not involve biosolids.

! Discussions about whether further research is needed regarding EPA's biosolids risk assessment and pathogens have contributed to the controversy. EPA does not plan to complete a comprehensive evaluation and monitoring study to address risk assessment uncertainties. However, EPA has asked the National Research Council to review the biosolids risk assessment and make recommendations.

! The National Whistleblower Center expressed concern about EPA's support of a professional association and its research group. However, of the \$12.9 million EPA provided, 96 percent (\$12.4 million) had been Congressionally mandated, and EPA had no discretion in awarding those funds.

! There are public concerns regarding the impact of biosolids land application on health, quality of life, and natural resources. These concerns have led to restricting or banning land application of biosolids in some places.

EPA Not Planning or Measuring Results of Surveys, Studies, Investigations, and Special Purpose Grants (Report 2002-P-00005)

EPA did not measure whether assistance agreements awarded under the Catalog of

Federal Domestic Assistance (CFDA) number 66.606, "Surveys, Studies, Investigations, and Special Purpose Grants," achieved results that contributed to protecting human health and the environment. Further, EPA frequently funded the same assistance agreement recipients year after year. Consequently, EPA had no assurance that money used for assistance agreements was awarded for projects that were useful and contributed to achieving EPA's mission.

The deficiencies noted occurred because program offices generally focused on outputs (activities or products used to attain an ultimate outcome), not the actual results achieved. Individual assistance agreement outcomes must be planned and measured to determine the usefulness and success of the assistance agreement. However, EPA program offices do not adequately measure the outcomes generated from such awards.

Further, EPA frequently funded the same assistance agreement recipients year after year because objectives were often broad, vague, and without clearly defined expectations for final results. Consequently, EPA continuously amended awards, sometimes for up to 6 years. A review of a database for all CFDA 66.606 awards from fiscal years 1996 through 2000 disclosed that 80 percent of the funding went to repeat recipients. By providing funding to the same organizations year after year, EPA is creating the appearance of preferential treatment and limiting other potential entities from providing similar, if not better, services. In response to our recommendations, EPA agreed to work with the program offices to improve the performance in the areas discussed and improve guidance as well.

More Progress Needed In Issuing Title V Air Permits **(Report 2002-P-00008)**

As of December 31, 2001, state and local agencies nationwide had issued 70 percent (13,036 of 18,709) of the operating permits

required by Title V of the Clean Air Act. If EPA and the state and local agencies had met the schedule in the Clean Air Act, all of the initial permits would have been issued by November 1997. However, translating and consolidating the applicable air pollution requirements for major stationary sources into site-specific, legally enforceable permit limits is a complex, time-consuming, and resource intensive process. As of December 31, 2001, of 112 state and local agencies approved to administer the Title V program, only 4 state and 17 local agencies had issued all of their Title V permits. In the six states we reviewed, key factors delaying the issuance of permits included: 1) states allotting insufficient resources; 2) complex regulations and limited guidance confusing permit writers; and 3) conflicting priorities of state agencies.

EPA did not provide adequate oversight and technical assistance to state and local Title V programs. For example, from 1998 through 2001, EPA evaluated only 28 of 112 state and local agencies on their assessment and management of Title V fees. Although most state and local programs did not issue their permits within 3 years of EPA approval, EPA did not use the Clean Air Act's provisions for issuing notices of deficiency, sanctions, and program withdrawal when deadlines for issuing permits were missed.

In the six states reviewed, three practices contributed to progress in issuing Title V permits: 1) state agency management support for the program; 2) state agency and industry partnering; and 3) permit writer site visits to facilities. However, EPA had not taken a leadership role in collecting and disseminating information on practices showing promise.

We recommended that the Assistant Administrator for Air and Radiation: 1) require EPA regions to conduct fee protocol reviews and revive efforts to make air toxics standards easier to incorporate into Title V permits; and 2) develop and execute a national plan for addressing implementation deficiencies in Title V programs.

Unreliable Pollutant Reductions Data Reported to Congress (Report 2002-P-00004)

EPA under-reported the environmental impact of enforcement actions under the Government Performance and Results Act. Our audit disclosed that 69 percent of the applicable fiscal 2000 pollutant records in the National Enforcement Docket System (DOCKET) contained blank pollutant amount fields. We also noted other errors. Until management takes decisive steps to address data weaknesses, neither Congress, the public, nor EPA management should depend on DOCKET as a reliable source of data.

DOCKET is EPA's official database for tracking and reporting on civil and administrative enforcement actions. DOCKET's pollutant amount field should have contained amounts used to compute and report pollutant reductions, but often did not. Additionally, the DOCKET system as a whole contained significant instances of inaccurate and incomplete data. Of the cases reviewed, 94 percent contained at least one error in a key field. Factors contributing to the poor data quality included a cumbersome system lacking in functionality; inadequate and outdated policies, procedures, and guidance; and the absence of comprehensive reviews.

We recommended that EPA's Assistant Administrator for Enforcement and Compliance Assurance improve overall policies and procedures for computing pollutant-related information, performing quality assurance, disseminating training, and monitoring policy implementation. In general, EPA agreed with the conditions noted in the report.

Investigative Activities

Corporate President Sentenced for Obstruction of Federal Audit (Sentencing: Case 96-2025)

Pritam Singh Sabharwal, President of Environmental Health Research & Testing,

Inc., (EHRT), of Lexington, Kentucky, was sentenced on January 11, 2002, in U.S. District Court, Lexington, Kentucky, for obstructing federal auditors from the EPA OIG. Sabharwal plead guilty on March 9, 2001, to a one-count criminal information charging him with obstruction of a federal audit. EHRT was a government contractor from 1980 through 1994 engaged in soil remediation and environmental cleanup.

The criminal information and guilty plea by Sabharwal were part of a plea agreement negotiated between Sabharwal and the U.S. Attorney's Office, Eastern District of Kentucky, stemming from a prior criminal indictment on federal racketeering charges against Sabharwal and several family members on May 30, 2000. That indictment alleged that Sabharwal and associates engaged in racketeering activities to include obstruction of a federal audit, bank fraud, bankruptcy fraud, bribery of a public official with regard to obtaining inside information on government contracts, and money laundering.

Sabharwal was sentenced to 3 years probation, 6 months of home detention, a \$2 million fine, and payment of an outstanding balance of \$963,196 due on a prior case.

This investigation was conducted by the EPA OIG and the Defense Criminal Investigative Service.

Three Found Guilty of Conspiracy and Theft from Tribal Organization (Conviction: Case 01-8001)

On February 5, 2002, three members of the payroll office for the Oglala Sioux Tribe, Pine Ridge Reservation, Pine Ridge, South Dakota, were found guilty by jury of conspiracy and theft from a tribal organization in U.S. District Court, District of South Dakota, Western Division. Estelle Goings, Vonnie Goings, and Carol Vitalis were all employed in handling government grant monies awarded to the tribe, including more than \$2 million in EPA grants since 1997.

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The three individuals were indicted by a federal grand jury on April 25, 2001, charging them with five felony violations, including one count of conspiracy and four counts of theft from an Indian tribal organization. The five-count indictment charged them with devising a conspiratorial scheme that operated from 1996 through 1999 and resulted in the embezzlement of approximately \$196,000.

This investigation was conducted jointly by the EPA OIG, the Federal Bureau of Investigation, the Department of the Interior OIG, and the Department of Veterans' Affairs OIG.

Several Plea Guilty to Charges of Conspiracy and Kickbacks (Convictions: 95-1006, 98-7008, 95-1006)

Angelo Rizzotto, president, AMJO Printing Services Corporation, Farmingdale, New York, plead guilty on January 30, 2002, to a criminal indictment charging him with one count of conspiracy and six counts of paying kickbacks. Rizzotto caused AMJO to inflate the amount of invoices billed to Ebasco Services, Inc., New York, New York, to account for kickback payments made in exchange for favored treatment and subcontracts. AMJO paid more than \$456,000 in kickback payments.

In late 2001, several other business persons plead guilty to criminal charges in a scheme to pay kickbacks to a division manager of Ebasco, which is a government contractor that provided printing and graphic design services to various federal agencies, including EPA.

The following, whose firms were subcontractors of Ebasco, each plead guilty to a criminal information of conspiring to violate the Federal Anti-Kickback Act of 1996:

! William J. Cruciata, president of Multi-Media Graphics and Design Ltd, Mineola, New York. Multi-Media paid more than \$288,700 in kickback payments.

! Robert A. Higgins, owner of Markets-in-Motion, Stoney Brook, New York. Higgins paid more than \$139,000 in kickback payments.

! Robert Steinberg, president of Big Apple Color & Design, Ltd., New York, New York. Big Apple paid more than \$73,000 in kickback payments.

! Loretta Herrmann, president, Gallagher Verityping Service Inc., Pine Brook, New Jersey. Gallagher Verityping paid more than \$148,000 in kickback payments.

Each of the four informations charged that, dating back to 1989, the person paid kickbacks to the manager of Ebasco's printing and graphics department in exchange for favored treatment and subcontracts. The subcontracts provided to all four firms were contrary to Ebasco's purchasing system and did not utilize the required competitive bidding process.

This investigation was conducted jointly by the EPA OIG and the U.S. Postal Service OIG.

Questions concerning this update or requests for copies of OIG audit reports, reviews, or other documents should be directed to **Eileen McMahon**, U.S. Environmental Protection Agency, Ariel Rios Building (2441), 1200 Pennsylvania Avenue, NW, Washington, DC 20460. **Telephone (202) 260-0401.**

If you are aware of or suspect any fraud, waste, or abuse in any EPA programs or operations, please call the OIG Hotline or the nearest Divisional Office of Inspector General. **OIG Hotline (202) 260-4977 or (888) 546-8740 .**

